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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 1, 1999

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY                      CASE NO.    PUE990680

To revise Schedule SG-Standby  
Generator and Schedule CS-Curtailable  
Service and to withdraw Schedules  
SG-1 Standby Generator and CS-1  
Curtailable Service

ORDER INVITING COMMENTS AND REQUESTS FOR HEARING

On October 1, 1999, Virginia Electric and Power Company ("Virginia Power" or "the Company") filed a letter with the State Corporation Commission ("Commission") seeking authority to revise the rate credits available to customers under Schedule CS-Curtailable Service ("Schedule CS") and Schedule SG-Standby Generator ("Schedule SG"). The Company states that the instant tariff revisions are related to the Commission's Order Modifying Schedules entered in Case No. PUE950063, on August 5, 1997. Among other things, the August 5, 1997, Order directed that future scheduled annual revisions to the credits reflect the market value of Virginia Power's capacity.<sup>1</sup>

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<sup>1</sup> See Application of Virginia Electric and Power Company, To close Schedule SG-Standby Generator; Schedule CS-Curtailable Service; and Rider J-Interruptible Electric Water Heater, Case No. PUE950063, 1997 S.C.C. Ann. Rept. 344, 345.

For Schedule CS, the Company proposes to increase the payment to each customer served in accordance with Schedules 5, 6, 6TS, GS-2, GS-2T, GS-3 or GS-4, for the billing months of December through March from \$1.917 per kW to \$2.25 per kW of curtailable load. It also proposes to increase the payment to a customer served under these Schedules from \$3.833 to \$4.50 per kW of curtailable load for the billing months of June through September.

Further, Virginia Power requests that the Commission permit it to increase the rates a customer served in accordance with Schedules 5, 6, 6TS, GS-2, GS-2T, GS-3, or GS-4 must pay when the customer fails to curtail. For each curtailment period during the summer, the Company proposes to bill the customer \$18.00 times any demand in excess of the Summer Firm Demand. For each curtailment period during the winter, the Company proposes to bill the customer \$9.00 times any demand in excess of the Winter Firm Demand.

For customers served in accordance with Schedule 8, for the billing months of June through September, the Company proposes to pay the customer \$4.50 times the Contract Available Hours divided by 3,500, times the Standby Demand, where the Summer Firm Demand is less than or equal to the Contract Summer Supplementary Demand. Where the Summer Firm Demand is greater than the Contract Summer Supplementary Demand, the customer will

be paid \$4.50 times the Contract Available Hours, divided by 3,500, times the difference between the Contract Supplementary-Standby Demand and the Summer Firm Demand. When the customer's Supplementary Service Billing Demand exceeds the customer's Summer Firm Demand, the customer will be paid \$4.50 times the difference.

Under the Company's proposal for Schedule CS, where a customer is served in accordance with Schedule 8, for the billing months of December through March, where the Winter Firm Demand is less than or equal to the maximum of the Contract Winter Supplementary Demand and the Contract Summer Supplementary Demand, the customer will be paid \$2.25 times the Contract Available Hours divided by 3,500, times the Standby Demand. Where the Winter Firm Demand is greater than both the Contract Winter Supplementary Demand and the Contract Summer Supplementary Demand, the customer will be paid \$2.25 times the Contract Available Hours divided by 3,500, times the difference between the Contract Supplementary-Standby Demand and the Winter Firm Demand. When the customer's Supplementary Service Billing Demand exceeds the customer's Winter Firm Demand, the customer will be paid \$2.25 times the difference.

Under Schedule CS, where a customer is served in accordance with Schedule 8, and fails to curtail, the Company proposes that for each curtailment period during the summer where demand is

determined in excess of the Summer Firm Demand, the customer shall be billed as follows:

1. Where the highest demand determined is less than or equal to the Contract Summer Supplementary Demand, the customer shall be billed \$18.00 per kW in excess of the Summer Firm Demand.
2. Where the highest demand determined exceeds the Contract Summer Supplementary Demand, the customer shall be billed \$18.00 times the difference between the Contract Summer Supplementary Demand and the Summer Firm Demand, plus \$18.00 times the Contract Available Hours divided by 3,500, times the kW in excess of the Contract Summer Supplementary Demand.

For each curtailment period during the winter where demand is determined in excess of the Winter Firm Demand, the Company proposes that the customer served in accordance with Schedule 8, shall be billed under Schedule CS as follows:

1. Where the highest demand determined is less than or equal to the maximum of the Contract Winter Supplementary Demand and the Contract Summer Supplementary Demand, the customer shall be billed \$9.00 per kW in excess of the Winter Firm Demand.
2. Where the highest demand determined exceeds the maximum of the Contract Winter Supplementary Demand and the Contract Summer Supplementary Demand, the customer shall be billed \$9.00 times the difference between:
  - a. The maximum of the Contract Winter Supplementary Demand and the

Contract Summer Supplementary  
Demand,

and

b. The Winter Firm Demand,

plus \$9.00 times the Contract  
Available Hours divided by 3,500,  
times the kW in excess of the  
maximum of the Contract Winter  
Supplementary Demand and the  
Contract Summer Supplementary  
Demand.

For Schedule SG-Standby Generator, the Company proposes that for the billing months of November through April, the customer shall be paid \$1.50 per kW rather than \$1.278 per kW. For the billing months of May through October, Virginia Power proposes that the customer shall be paid \$3.00 per kW under Schedule SG-Standby Generator rather than \$2.556 per kW.

The Company's proposal notes that Schedules SG-1 Standby Generator (Closed) and CS-1 Curtailable Service (Closed) ceased to be applicable to customers effective with the July, 1999, billing month. Virginia Power therefore proposes to withdraw these schedules.

On October 21, 1999, the Company filed supplemental documents in support of its application in response to a letter from the Commission Staff. In these documents, among other things, Virginia Power asserted that the Virginia Electric Utility Restructuring Act's prohibition on rate increases did

not prohibit its proposed changes for Schedule CS. The Company maintained that the rates of customers who participate under Schedule CS are not being increased but instead, the penalties these customers must pay for failing to comply with program requirements are changing due to the application of a formula underlying the penalty calculation. According to the Company, the penalty is the product of four times the credit, and when the credit increases, the application of the formula causes the penalty to increase proportionately.

With regard to closing Schedules SG-1 and CS-1, the Company reported that under the terms of theses Schedules, the participating customers are now served under Schedules SG and CS, respectively, and there are no remaining customers who are now served under Schedules SG-1 and CS-1.

Finally, the Company filed copies of the testimony of David Koogler in support of its application. According to the Company, this testimony had previously been filed in connection with its Retail Access Pilot proceeding, docketed as Case No. PUE980813.

On October 26, 1999, the Commission entered an Order docketing the captioned matter and suspending the Company's proposals to and through February 27, 2000.

NOW, UPON CONSIDERATION of the Company's request and the applicable statutes, the Commission is of the opinion and finds

that the Company's October 1, 1999, letter and accompanying tariff revisions, as supplemented by the documents filed on October 21, 1999, should be treated as an application. We note that a Stipulation sponsored by the Company and other participants in Case No. PUE960296, provided that the base rates approved in that case would remain in effect through February 28, 2002, subject to certain conditions. This portion of the Stipulation was accepted without modification in our August 7, 1998, Final Order entered in that matter.<sup>2</sup> Thus, an issue is raised as to whether Virginia Power may increase the rates it charges to customers that fail to curtail under these Schedules. Accordingly, the Company should file a legal memorandum addressing its authority under the Stipulation accepted in Case No. PUE960296, as well as any other legal authority supporting its request to increase its rates as it proposes in the instant application.

Moreover, we find that the Company's proposals, if adopted, would affect the credits and conditions under which service is offered under Schedule CS, Schedule SG, as well as Schedules SG-1 Standby Generator (Closed) and CS-1 Curtailable Service

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<sup>2</sup> Application of Virginia Electric and Power Company, 1995 Annual Informational Filing and Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex parte: Investigation of Electric Utility Industry Restructuring - Virginia Electric and Power Company, Case Nos. PUE960036 and PUE960296, 1998 S.C.C. Ann. Rept. 322 (hereinafter "Case No. PUE960296").

(Closed). As such, notice and opportunity to comment on these proposals should be given to customers and potential customers affected by these revisions. We further find that a period of time wherein interested persons affected by the proposals might comment or request a hearing should be established; and that the Commission Staff should investigate the Company's proposals and make appropriate recommendations.

Accordingly, IT IS ORDERED THAT:

(1) On or before November 10, 1999, the Company shall file with the Clerk of the Commission any additional data, information, exhibits, and testimony it intends to offer in support of its proposals.

(2) On or before November 10, 1999, the Company shall file with the Clerk of the Commission a memorandum of law addressing its authority to increase its rates as it proposes in its application under the terms of the Stipulation accepted in Case No. PUE960296, as well as under any other legal authority it believes supports its request.

(3) Interested persons may obtain a copy of the Company's October 1, 1999, request and proposals, together with Virginia Power's testimony and other documents filed in support of its application, by directing a request in writing for the same on or before November 30, 1999, to the Company's counsel, Jill C.



Hayek, Esquire, Virginia Electric and Power Company, Legal Services, P.O. Box 26666, Richmond, Virginia 23261.

(4) Upon receipt of a written request for a copy of the Company's application and supporting documents, the Company shall provide a copy of said application and supporting documents within five (5) business days of the receipt of said request.

(5) A copy of the Company's application and supporting documents shall be made available for public review at the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, during its regular hours of operation, Monday through Friday, from 8:15 a.m. to 5:00 p.m.

(6) On or before December 16, 1999, an original and five (5) copies of any comments in support of or in opposition to Virginia Power's proposal shall be filed with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and shall refer to Case No. PUE990680. A copy of any comments filed herein shall be mailed on or before December 16, 1999, to: Jill C. Hayek, Esquire, Virginia Electric and Power Company, Legal Services, P.O. Box 26666, Richmond, Virginia 23261.

(7) On or before December 16, 1999, any interested person desiring a hearing in this matter shall file an original and

five (5) copies of a written request for hearing with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, which shall refer to Case No. PUE990680. Any person requesting a hearing shall identify his or her interest in the matter and shall also establish why a formal ore tenus hearing is appropriate. The person requesting the formal hearing shall also indicate what he or she would demonstrate at the hearing in the event a hearing is convened. A copy of any request for hearing shall be mailed on or before December 16, 1999, to the Company's counsel, Jill C. Hayek, Esquire, Virginia Electric and Power Company, Legal Services, P.O. Box 26666, Richmond, Virginia 23261.

(8) On or before November 16, 1999, Virginia Power shall complete the publication of the following notice as classified advertising, made on one occasion in newspapers of general circulation, throughout the Company's service territory:

NOTICE TO THE PUBLIC OF PROPOSALS BY  
VIRGINIA ELECTRIC AND POWER COMPANY TO  
REVISE RATE SCHEDULE SG-STANDBY GENERATOR  
AND SCHEDULE CS-CURTAILABLE SERVICE AND TO  
WITHDRAW SCHEDULES SG-1 STANDBY GENERATOR  
AND CS-1 CURTAILABLE SERVICE  
CASE NO. PUE990680

On October 1, 1999, Virginia Electric and Power Company ("Virginia Power" or "the Company") filed an application with the State Corporation Commission ("Commission") which requested authority to increase the rate credits available to customers under Schedule CS-Curtailable Service

("Schedule CS") and Schedule SG-Standby Generator ("Schedule SG"). The Company also proposes to increase the payments customers served under Schedules 5, 6, 6TS, GS-2, GS-2T, GS-3, GS-4, and 8 must make to Virginia Power under Schedule CS for failing to curtail service. Further, the Company asks that it be permitted to withdraw Schedules SG-1 Standby Generator (Closed) ("Schedule SG-1") and CS-1 Curtailable Service (Closed) ("Schedule CS-1"). The Company represents that Schedules SG-1 and CS-1 ceased to be applicable to customers effective with the Company's July, 1999, billing month. On October 21, 1999, the Company filed additional documents with the Commission in support of its application.

In its October 26, 1999, Preliminary Order, the Commission suspended the Company's proposed tariff revisions through February 27, 2000.

The details of the Company's proposals, including the amount of the increases to the rate credits and customer payments, are set forth in the Company's application and supporting documents. Interested persons should review these documents for the details. Interested persons may obtain a copy of the Company's application and accompanying materials by directing a written request for a copy of same on or before November 30, 1999, to the Company's counsel, Jill C. Hayek, Esquire, Virginia Electric and Power Company, Legal Services, P.O. Box 26666, Richmond, Virginia 23261.

The Company's application and other supporting documents may be reviewed from 8:15 a.m. to 5:00 p.m., Monday through Friday, at the State Corporation Commission's Document Control Center, located at 1300 East Main Street, Tyler Building, First Floor, Richmond, Virginia 23219.

Any person who wishes to comment upon or request a hearing on the Company's proposals shall file an original and five (5) copies of such comments or request for hearing with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, on or before December 16, 1999, and shall refer to Case No. PUE990680. Any person filing comments or a request for hearing shall mail a copy of said comment or request to the Company's counsel at the address set out above on or before December 16, 1999. Requests for hearing must state the specific reason why the Commission should grant a hearing and what the person requesting the formal hearing would demonstrate at the hearing in the event one is convened. In the event no request for hearing is received, the Commission may act on the papers filed in the proceeding without convening a hearing at which live testimony is received.

All written communications to the Commission regarding this proceeding shall refer to Case No. PUE990680, and shall be directed to Joel H. Peck, Clerk of the Commission, at the address set forth above.

VIRGINIA ELECTRIC AND POWER COMPANY

(9) On or before November 16, 1999, the Company shall mail a copy of this Order to the customers served under Schedule SG-Standby Generator and Schedule CS-Curtailable Service and to any potential customers the Company knows may be eligible for service under these Schedules.

(10) On or before January 7, 2000, the Commission's Staff shall investigate the Company's proposals, shall file a report

thereon with the Clerk of the Commission, and shall mail a copy of said report to the Company and all other parties of record.

(11) Virginia Power shall respond to all interrogatories, data requests, and requests for the production of documents within seven (7) business days of the receipt of the same. Except as so modified, discovery shall be in accordance with Part VI of the Commission's Rules of Practice and Procedure.

(12) On or before January 21, 2000, Virginia Power shall file with the Clerk of the Commission proof of the notice and service directed in Ordering Paragraph (8) herein, together with a certificate showing the name, address, business affiliation, and date of service for the notice required in Ordering Paragraph (9) hereof.